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**Testimony of State Representative Jeffery Berger in support of
HB5459 AAC PARTERSHIPS FOR THE DELIVERY OF ECONOMIC DEVELOPMENT SERVICES
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- As a way of summarizing I would like to now summarize some State economical standings as purposed by the National Governors Association to establish:
 - A uniform system to apply for assistance from the Department of Economic and Community Development
 - A training program to educate local nonprofits, chambers of commerce and other organizations regarding the programs and services offered by the Department of Economic and Community Development and the abdication process associated with those programs and services
 - An electronic portal to foster communication between the Department of Economic and Community Development and such local organizations
- The creation of effective and efficient state economic development agencies is no easy task. Policymakers eyeing the opportunities for economic development reform should be cognizant of three considerable challenges:
 - **Rise of global competition.** Businesses from China, India, Singapore, and Eastern Europe have established themselves as competitors in the global economy. Those rising competitors will test the sophistication of state economic development strategies and agencies as never before. The globalized economy, state efforts to support businesses that create high-wage jobs are essential. The links between innovation and growth suggest that strategic support for key innovation-based industries helps create the environment for quality job creation. The provision of strategic support for innovation-based industries and the well-paying jobs they bring requires going beyond the traditional state commerce department's practice of marketing a state and using tax credits to close business investment deals. States are now actively engaged in providing support to innovation-based industries by supporting research and development (R&D), developing and funding education and training programs that improve workforce skills, focusing on technology development and transfer systems, and strengthening the links between businesses, investors and universities in regional industry clusters.
 - **Structural inefficiencies in state economic development agencies** According to business leaders and others, some of the most common difficulties associated with the traditional model of economic development in state

commerce departments are a cumbersome agency design that constrains flexibility and responsiveness.

- **The state fiscal crunch.** A slow economic recovery will leave economic development leaders in the United States working with constrained budgets for some years. Funding for economic development support will have to compete with other state priorities, such as growing Medicaid costs. At the same time, new global players have emerged, often granting government a larger role in supporting industry through government investments and tax credits than the U.S. does. States will find matching these investments difficult, so they will have to do a better job of linking businesses to needed supports such as training, education, and early-stage financial support.
- The NGA Center for Best Practices' review of current practices and conversations with business leaders and government officials reveals that there are three foundational strategies that can greatly increase the effectiveness of economic development agencies:
 - **Engage and sustain private sector involvement.** Engaging local businesses through the use of public-private development boards and other cooperative endeavors can bring useful expertise and perspective to the development process. In **Oregon**, for example, the private sector has become a central actor in the economic development process through an independent organization called the Oregon Business Council (OBC) that is run entirely by collective of supporting businesses
 - **Create mechanisms to encourage collaboration.** Collaboration among businesses, academic institutions, and government agencies is one of the most important characteristics of effective economic development infrastructures. **North Carolina** spurs collaboration through a 37-member economic development board made up of representatives from government agencies, nonprofit organizations, private businesses and the state legislature. Collaboration between states and regions is becoming increasingly important, as well. **Colorado**, **New York**, and **Tennessee** have all recently completed regional plans that have been rolled up into a statewide economic development plan.
 - **Institute a quantitative evaluation system.** Economic development agencies that use metrics for evaluation such as return on investment and job creation have the statistical information they need to target areas for focused policy and to ensure that state funds are being channeled to the most productive uses possible. **Maine**, **Massachusetts**, **Mississippi**, and **Oregon** benchmark specific indicators related to the innovation economy and the contribution of those indicators to state economic growth.
- **Conclusion:** States that want to increase the effectiveness of their state economic development agencies can employ three foundational strategies to ensure their success engaging the private sector in partnership in the economic development process, creating mechanisms to encourage collaboration among industry clusters and government agencies, and instituting a system of quantitative measures to evaluate the state's return on investments in economic development.

Figure 1: The Changing Model for a State Economic Development Agency

Area	Traditional Model	New Model
<i>Geographic focus</i>	<ul style="list-style-type: none"> Locally focused clusters drive regional competition 	<ul style="list-style-type: none"> Global competition and globally focused clusters require regional collaboration
<i>Economic development priorities</i>	<ul style="list-style-type: none"> Attract large companies Create more jobs Support all small business startups Monitor business costs and regulations 	<ul style="list-style-type: none"> Grow and retain existing businesses Create better jobs, higher incomes Support high-growth small businesses Foster an entrepreneurial environment
<i>Workforce development priorities</i>	<ul style="list-style-type: none"> Provide “one size fits all” job training funding across industries Focus on entry occupations 	<ul style="list-style-type: none"> Public-Private Partnerships to engage industry Target specific industries Focus on career ladders
<i>Marketing approach</i>	<ul style="list-style-type: none"> Use conventional means to market state domestically State employees lead business recruitment 	<ul style="list-style-type: none"> Use online and social media and other means to market state internationally Private sector and governors lead business recruitment and global connections/networks

Source: Adapted from Sara Dial & Associates’ presentation at the June 2010 experts roundtable³ and Washington Economic Development Commission.⁴